

UNNUMBERED LETTERS ISSUED FOR THE MONTH OF NOVEMBER 2008

Dated	Subject	Distribution
10/1/08	Section 504 of the Rehabilitation Act of 1973 Requirements	GFR
10/10/08	Annual Report of Unauthorized Assistance	S/D
10/16/08	Fiscal Year 2008 State Internal Review Summary Report	S/D
10/17/08	Fiscal Year 2009 State Internal Review Handbook Updates	S/D
10/17/08	Business and Industry Guaranteed Loan Program Funding Procedures	S/D
10/21/08	Interest Rate Changes for Housing Programs and Credit Sales (Nonprogram)	S/D
10/22/08	Recruitment of Federal Employees for the 2010 Decennial Census	RD Employees
10/22/08	Scheduling Use-or-Lose Annual Leave	N.O.O. & S/D
10/23/08	Program Loan Cost Expense Funds Fiscal Year 2009 Allocations and Requirements Under the Credit Reform Act of 1990	S/D
10/23/08	Guidance on Extension of Conditional Commitment for Gurantee	S/D
10/23/08	Request for Fiscal Year 2009 Rental Assistance Data for Renewal Needs for Multi-Family Housing	S/D
10/23/08	Supervised Bank Accounts	S/D
10/23/08	Underwriting Guidance for Multifamily Housing Revitalization Transactions	S/D
10/27/08	Unliquidated Obligations	S/D

Dated	Subject	Distribution
10/30/08	Transition to U.S. Bank SmartPay2 Program	S/D

October 1, 2008

SUBJECT: Section 504 of the Rehabilitation Act of 1973 Requirements

TO: General Field Representatives

FROM: James M. Andrews (*Signed by James M. Andrews*)
Administrator
Rural Utilities Programs

This Unnumbered Letter addresses Recommendation No. 1 (below), of the Civil Rights Staff Program Compliance Title VI Management Control Review conducted on the Electric and Telecommunication Programs in Fiscal Year 2007.

Recommendation No. 1: To comply with Section 504 of the Rehabilitation Act of 1973 Utilities Programs (UP) will prepare an Administrative Notice, Unnumbered Letter, or Notification to General Field Representatives (GFR), and Electric and Telecommunication borrowers, of the U.S. Department of Agriculture Self-Evaluation and Transition Plan Requirements for Recipients. CRS will provide the UP Staff with technical assistance. The responsible person is The Administrator, UP.

The U.S. Department of Agriculture issued a Departmental Regulation (7 CFR Part 15b) on June 11, 1982, implementing Section 504 of the Rehabilitation Act of 1973. The Departmental Regulation requires recipients of existing facilities to conduct self-evaluations to determine whether there are barriers that should be removed. Once identified, nonstructural barriers should be removed immediately. If structural barriers are identified, a transition plan shall be developed, setting forth the steps necessary to complete such changes with established timeframes for completion. The plan shall be developed with the assistance of persons or organizations who are knowledgeable about accessibility issues as outlined in the Uniform Federal Accessibility Standards. In addition to structural barriers, policies and procedures must be reviewed.

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FILING INSTRUCTIONS:
Utilities Programs

While conducting a civil rights compliance review and it is determined that the recipient is in non-compliance with the requirements of Section 504 of the Rehabilitation Act of 1973, then the GFR will notify the recipient in writing of the findings and given the opportunity to voluntarily comply. If the recipient does not voluntarily comply, the issue will be referred to the National Office Civil Rights Staff, through the Administrator, Rural Utilities Service, and subsequently the Department's Office of Adjudication and Compliance until compliance is achieved.

A record of the evaluation shall be made available for public inspection and provided to the Agency. Attached are the requirements for a self-evaluation record and a transition plan. The GFR's are to provide the attached requirements to all recipients.

Attachment

Sent by electronic mail on 10/17/08 at 7:28 p.m. by CRS.

**Self-Evaluation and Transition Plan Requirements
USDA Departmental Regulation (7 CFR Part 15b)**

Self-Evaluation

A **self-evaluation** must be conducted with the assistance of persons or organizations that are knowledgeable about accessibility issues. A self-evaluation record must be maintained for at least three years. The self-evaluation record must be made available for public inspection, and be provided to the Agency upon request.

A self-evaluation record must:

- (1) Evaluate, with the assistance of interested persons, including persons with disabilities or organizations representing disabled persons, its current policies and practices, and the effects thereof;
- (2) Modify, after consultation with interested persons, including disabled persons or organizations representing disabled persons, any policies and practices that do not meet the requirements of this part;
- (3) Take, after consultation with interested persons, including disabled persons or organizations representing disabled persons, appropriate remedial steps to eliminate the effects of any discrimination that resulted from adherence to these policies and practices, and;
- (4) Contain; (a) A list of the interested persons consulted; (b) A description of areas examined and any problems identified and; (c) A description of any modifications made, and of any remedial steps taken.

Transition Plan

A **transition plan**, if it is necessary to remove structural barriers, shall be developed setting forth the steps necessary to complete the changes, with the assistance of interested persons, including disabled persons or organizations representing disabled persons, who are knowledgeable about accessibility issues and the Uniform Federal Accessibility Standards. A copy of the plan shall be made available for public inspection.

At a minimum, transition plans are required to:

- (1) Identify physical obstacles in the facilities that limit the accessibility of its programs or activities to persons with disabilities;
- (2) Describe in detail the methods that will be used to make the facilities accessible;
- (3) Specify the schedule (dates) for taking the steps necessary to achieve full program accessibility, and if the time period of the transition plan is longer than one year, identify steps that will be taken during each year of the transition period, and;
- (4) Identify the person responsible for implementation of the plan.

October 10, 2008

TO: State Directors, Rural Development
ATTN: Business Programs Directors
SUBJECT: Annual Report of Unauthorized Assistance

RD Instruction 1951-O, section 1951.716, requires each State Office to submit an annual report, within 30 days following the end of the fiscal year, for each case of unauthorized assistance or subsidy benefits. Likewise, a negative report is required from States with no unauthorized assistance cases.

Unauthorized assistance is defined, in RD Instruction 1951-O, as any loan, interest subsidy, grant, or portion thereof received by a recipient for which there was no regulatory authorization or for which the recipient was not eligible.

Reports should be sent via e-mail to Letitia N. Turner, letitia.turner@wdc.usda.gov, with a copy to Rick Bonnet, rick.bonnet@wdc.usda.gov. For each reported case, include the account name, case number, fund code, Office of Inspector General audit number (if applicable), amount collected during the period, balance owed, basis for the unauthorized determination, and current status.

As always, your prompt attention is appreciated. Disregard this notice if you have already submitted your report. If you have any questions, contact Letitia N. Turner, Oversight Coordination Staff, at (202) 720-4878.

(Signed by Ben Anderson)

BEN ANDERSON
Administrator
Business and Cooperative Programs

EXPIRATION DATE:
October 31, 2009

FILING INSTRUCTIONS:
Community/Business Programs

October 16, 2008

SUBJECT: Fiscal Year 2008 State Internal Review
Summary Report

TO: Rural Development State Directors

ATTN: Administrative Program Directors
Management Control Officers

FROM: Clyde Thompson *(Signed by Clyde Thompson)*
Deputy Administrator
Operations and Management

This memorandum is a reminder that Rural Development (RD) Instruction 2006-M, "Management Control System," requires each state to conduct State Internal Reviews (SIRs), a comprehensive evaluation review of program and administrative functions, in its offices during the fiscal year. The State Director is required to submit a Summary Report on the results of the SIRs to the Director of the Financial Management Division (FMD).

Please submit your report for Fiscal Year (FY) 2008 to FMD no later than **December 31, 2008**. The timely submission of your report will be closely monitored. In the event that all of the reviews in your state have been completed, please feel free to submit your Summary Report to FMD prior to the **December 31, 2008**, due date.

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Administrative/Other Programs

In addition, the RD Instruction 2006-M also requires the following to be submitted to FMD:

- A copy of the SIR 5-Year Plan whenever it is updated or revised:
 - The annual update for FYs 2009 through 2013 is due by **December 31, 2008**; and
 - When revised between the annual updates if additional changes or updates are made.
- Notification of any change in the Management Control Officer (MCO) and/or Alternate MCO designation. (To ensure statewide awareness all state employees should also be notified of any changes to the MCO/Alternate MCO designation and how to contact them.)

If you have any questions, please contact John Purcell, Director, FMD at (202) 692-0080.

Sent by electronic mail on **10/16/08** at **5:00 p.m.** by FMD.
The State Director should advise other personnel as appropriate.

October 17, 2008

SUBJECT: Fiscal Year 2009 State Internal Review
Handbook Updates

TO: Rural Development State Directors

ATTN: Administrative Program Directors
Management Control Officers

FROM: Clyde Thompson */s/ Clyde Thompson*
Deputy Administrator
Operations and Management

The Financial Management Division (FMD) has been working closely with the Information Resources Management (IRM) staffs in the National Office and St. Louis to update and issue the Fiscal Year (FY) 2009 State Internal Review (SIR) Handbook, which includes review guides and corresponding spreadsheets for calculating compliance scores.

The updated SIR Handbook has been tested and certified by the IRM staff in St. Louis. In addition to the testing and certification, the IRM staff in St. Louis has loaded the updated handbook on the Intranet at <https://rd.sc.egov.usda.gov/teamrd/RDOM/cfo/fmd/sir2009/default.aspx>. The Management Control Officers (MCOs) were notified by e-mail on October 1, 2008, of this update and availability for downloading from the Intranet. The MCOs should ensure they obtain the latest updates to the SIR Handbook.

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September 30, 2009

FILING INSTRUCTIONS:
Administrative/Other Programs

The following items will continue to be documented and reported on the "Summary of Review Findings," at the SIR exit conferences, and in all final SIR reports:

1. Loans/grants reviewed with processing/servicing deficiencies,
2. The value of the above deficient loans/grants, and
3. Recurring weaknesses from the previous SIR(s) of the same field office/centralized program function.

The universe data on total subjects reviewed (i.e., employees, files, offices, etc.) and those with deficiency findings will still need to be captured and reported in the Automated Reports Tracking System.

If you have any questions or need additional information, please contact Diana Wareham of FMD, at (202) 692-0044.

Sent by electronic mail on 10/22/08 at 10:45 a.m. by FMD.
The State Director should advise other personnel as appropriate.

October 17, 2008

TO: Rural Development, State Directors

ATTENTION: Business Programs Directors

SUBJECT: Business and Industry Guaranteed Loan Program
Funding Procedures

The purpose of this unnumbered letter is to provide interim procedures to be used to issue Conditional Commitments prior to funding availability. Funds have been appropriated, but the apportionment has not been approved. As was indicated in our recent teleconference call on September 18, 2008, fiscal year (FY) 2009 Business and Industry Guarantee Loan Program funds will not be available for several weeks.

The National Office will notify you when funds become available. Until that time, you may approve applications and issue Conditional Commitments as follows:

1. Enter the applicant into the Borrower Maintenance section of the Guaranteed Loan System (GLS).
2. Do not attempt to reserve or obligate the application in GLS until funds become available.
3. If an application is approved, issue a manual Conditional Commitment to the lender. You may use the blank form in GLS, which will pre-fill some information, the rest of which must be entered manually. The loan should reflect a guarantee fee of 2 percent. The fee will have to be manually calculated and entered on the Conditional Commitment. Additionally, in each of these cases the following **must** be a condition:

“This Conditional Commitment is subject to the availability of funds. No such funds are currently available. If and when funds become available, the Agency will notify the lender and the guarantee process will continue subject to all

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FILING INSTRUCTIONS:
Community/Business Programs

Conditional Commitment conditions. No Loan Note Guarantee can or will be issued prior to the availability of funding. The lender may close the loan if it chooses to do so prior to funding being available, but will assume all risk of loss prior to any issuance of a Loan Note Guarantee.”

4. Enter the applicant in the spreadsheet named “FY 2009 CC Tracking Sheet.” The tracking sheet will be distributed electronically via e-mail and a copy is attached to this unnumbered letter. Please update the spreadsheet as each Conditional Commitment is issued. It is important to keep track of each borrower so that it will be easier to obligate funds when funding becomes available.
5. The lender may close these loans, providing they fulfill all the conditions stated on the Conditional Commitment. The lender will assume all risk of loss until the Loan Note Guarantee is issued.
6. When funds become available, Agency personnel may obligate funds in GLS for these loans in the date order approved. When funds have been obligated, lenders should be notified that they may request Loan Note Guarantees. All conditions of the Conditional Commitment must be met in order for the Agency to issue the Loan Note Guarantee. The lender must provide a certification that there has been no adverse change in the borrower’s financial condition with the request for issuance of the Loan Note Guarantee.

If you have any questions or need further clarification, please contact the Business and Industry Division at (202) 690-4103.

(Signed by Ben Anderson)

BEN ANDERSON
Administrator
Business and Cooperative Programs

Attachment

FY 2009 CC Tracking Sheet

[illegible]

October 21, 2008

SUBJECT: Interest Rate Changes for Housing Programs
and Credit Sales (Nonprogram)

TO: Rural Development State Directors,
Rural Development Managers,
and Area Directors

ATTN: Rural Housing Program Directors

The following interest rates, effective November 1, 2008, are changed as follows:

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
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ALL LOAN TYPES

Treasury Judgement Rate	2.170%	1.950%
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The new rate shown above is as of the week ending September 26, 2008. The actual judgement rate that will be used will be the rate for the calendar week preceding the date the defendant becomes liable for interest. This rate may be found by going to the Federal Reserve website for the weekly average 1-year Constant Maturity Treasury Yield

(http://www.federalreserve.gov/releases/h15/data/Weekly_Friday_/H15_TCMNOM_Y1.txt).

RURAL HOUSING LOANS

Rural Housing (RH) 502		
Very-Low or Low	5.750	5.375

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Single Family Housing (SFH) Nonprogram	6.250	5.875
Rural Housing Site (RH-524), Non-Self-Help	5.750	5.375
Rural Rental Housing and Rural Cooperative Housing	5.750	5.375

Please notify appropriate personnel of these rates.

(Signed by Russell T.Davis)

RUSSELL T. DAVIS
Administrator
Housing and Community Facilities Programs

Sent by electronic mail on 10/21/08 at 3:00 by PAD.
State Directors should advise other personnel as appropriate.

October 22, 2008

SUBJECT: Recruitment of Federal Employees for the 2010 Decennial Census

TO: Rural Development Employees

FROM: Clyde Thompson /s/ *Clyde Thompson*
Deputy Administrator
Operations and Management

Under Title 13, United States Code, Section 23 (b), employees of Federal agencies and offices may be allowed to participate in and work on the Decennial Census. The Secretary of Agriculture has authorized USDA employees to work on the upcoming 2010 Decennial Census as second jobs on their own time.

Decennial census appointments are short-term, with a majority of the work being performed in the evenings and on weekends. The Census Bureau usually assigns Federal employees to cover their respective local communities and work from their homes. Most of the Federal employees hired will cover the Non-response Follow-Up operation, with most assignments lasting five (5) to ten (10) weeks during **May-July 2010**. Some Federal employees may be hired for smaller-scale, pre-census operations currently underway and continuing through 2010.

If you accept employment with the Census Bureau, such employment must not interfere with your responsibilities or the performance of your duties in your primary position. In addition, you may not earn additional benefits for retirement, health, or life insurance in conjunction with a temporary census appointment.

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For additional information on the 2010 Decennial Census, including the process to apply for a Census position, please visit www.census.gov or email an inquiry to Recruiter@ccmail.census.gov.

If you have any questions, please contact Denise N. Johnson, Human Resources Specialist at (202) 692-0223 or via e-mail at DeniseN.Johnson@wdc.usda.gov.

October 22, 2008

SUBJECT: Scheduling of Use-or-Lose Annual Leave

TO: National Office Officials
Rural Development State Directors

ATTN: Administrative Program Directors
Human Resources Managers

FROM: Clyde Thompson /s/ *Clyde Thompson*
Deputy Administrator
Operations and Management

This is a reminder that the 2008 leave year ends **January 3, 2009**; and that employees must schedule “use-or-lose” annual leave in writing by **November 22, 2008**. Use-or-lose annual leave must be used no later than January 3, 2009, or it will be forfeited. Projected end-of-year annual leave balances are provided on an employee’s statement of Earnings and Leave and can be accessed on the Employee Personal Page at www.nfc.usda.gov.

For most General Schedule employees, annual leave in excess of 240 hours at the end of the leave year is subject to forfeiture. Senior executive service and senior-level members are subject to a 720-hour maximum limitation. Employees who have excess annual leave are reminded that they may donate leave to the Voluntary Leave Transfer Program.

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If the supervisor and employee properly plan and schedule use-or-lose annual leave, there should be adequate time for the employee to take the use-or-lose leave by the end of the leave year. As such, requests for leave restoration are only necessary in rare situations. Use-or-lose annual leave that is scheduled, and subsequently cancelled and can not be rescheduled before the end of the leave year due to sickness of the employee, administrative error, or exigency of public service, must be properly documented to support the cancellation.

Forfeited annual leave is not automatically or routinely restored. Attachment 1 describes the conditions that must be fully met to have forfeited leave restored, and Attachment 2 is a guide for processing restoration of forfeited annual leave. Requests for restoration of forfeited annual leave due to a public exigency will not be accepted or processed after **March 28, 2009**.

Please remember that annual leave must be forfeited before it can be restored. Therefore, the employee may not request restoration of forfeited annual leave until after the end of the leave year on **January 3, 2009**.

If you need specific information concerning the appropriate procedures for restoration of annual leave, please contact Kimm Slayton, Human Resources Specialist, on (202) 692-0236 or via e-mail at kimm.slayton@wdc.usda.gov

Attachments

Sent by electronic mail on 10/23/08, at 4:15 p.m., by Human Resources.
State Directors and National Office Officials should advise other personnel as appropriate.

The following criteria must be met to have forfeited annual leave restored due to sickness of an employee, administrative error, or an exigency of public business:

- 1) The annual leave must have been scheduled by the employee in writing by **November 22, 2008**. The approved OPM Form 71, "Request for Leave or Approved Absence," or a memorandum approving the annual leave request should show the schedule of the dates for all use-or-lose leave over the maximum carry over balance to avoid forfeiture. If restored, annual leave will be restored to a separate leave account.
- 2) Determinations of an exigency of public business must have been made prior to the cancellation of an employee's request for scheduled annual leave. See RD Instruction 2066.2 Annual Leave (p)(B) for specific information on occurrences for an exigency of public business. A copy of the approved declaration of exigency by the agency official must accompany the request for the restoration of annual leave. Authorized agency officials include:
 - The Deputy Under Secretary or appropriate Administrator must make all decisions concerning public exigency declarations for State Directors, Deputy Administrators, Assistant Administrators, Staff Directors, and their immediate staff (i.e., Area/Program Directors, secretary, etc.).
 - State Directors are authorized to declare exigencies only for all offices under their jurisdiction, but not their immediate staff.
 - The Administrator/Deputy Administrator/Assistant Administrators in the Utilities Program are authorized to declare exigencies for all offices under their jurisdiction, but not for themselves.

Prior approval of the public exigency may only be waived in the event of a bona fide emergency. If an employee's request has to be cancelled due to workload, managers and supervisors must make every effort to reschedule the employee's annual leave in writing for some other time period before the end of the leave year.

- 3) The scheduled annual leave must have been cancelled or disapproved in writing.
- 4) Completed requests for restoration of forfeited annual leave must include: the Exigency Guide Form, the employee's scheduled annual leave request, the memorandum stating the reason for the cancellation of the employee's annual leave, and supporting justification (i.e., exigency of public business, medical documentation, or explanation of possible administrative error). Completed requests must be forwarded to the Assistant Administrator for Human Resources, Rural Development, Room 1323, South Building, mail STOP 0730, 1400 Independence Avenue, SW, Washington, DC 20250.

The processing of all annual leave restoration cases will conform to the requirements of Title 5 of the Code of Federal Regulations part 630. An employee's request for restoration of forfeited annual leave must be routed through appropriate supervisory and other approval channels.

Annual leave that is restored must be scheduled and used no later than the end of the leave year ending two years after:

- The dates of restoration of the annual leave forfeited because of administrative error;
- The date fixed by the head of the agency, or his or her designee, as the termination of the exigency of public business that resulted in forfeiture of the annual leave; or
- The date the employee is determined to be recovered and able to return to duty if the leave was forfeited because of sickness.

RESTORATION OF ANNUAL LEAVE FORFEITED DUE TO EXIGENCY OF THE PUBLIC BUSINESS

Attachment 2

Employee Name: _____ Leave Year: _____

PART A Determination of Exigency of Public Business

Beginning Date: _____ Ending Date: _____

NOTE: **ATTACH A COPY OF WRITTEN DECLARATION OF EXIGENCY**

Signature: _____ Date: _____
(Name & Title of Approval Official)

PART B Cancellation/Disapproval of Schedule Annual Leave

Total Hours Cancelled/ Disapproved: _____ Dates: _____ From _____ To _____

NOTE: **ATTACH A COPY OF WRITTEN CANCELLATION/DISAPPROVAL**

PART C Verification of Number of Hours Forfeited

Number of hours of annual leave forfeited by the employee at the end of the leave year: _____

If employee was able to use a portion of the canceled/disapproved leave, please indicate the number of hours used: _____

Signature: _____ Date: _____
(Supervisor)

OTHER VERIFICATION (IF APPROPRIATE)

Signature: _____ Date: _____
(Name & Title)

PART D Employee Request for Restoration of Annual Leave

NOTE: Attach a copy of the written request from employee or employee may use this guide to request restoration of forfeited annual leave. The employee must complete the following statement:

"Based on the circumstances above, I am requesting restoration of _____ hours of forfeited annual leave."

Employee's
Signature

Date

October 23, 2008

TO: Rural Development State Directors

ATTENTION: Rural Housing Program Directors,
Program Loan Cost Coordinators and
Contract Program Managers

FROM: Russell T. Davis (*Signed by Russell T. Davis*)
Administrator
Housing and Community Facilities Programs

SUBJECT: Program Loan Cost Expense Funds
Fiscal Year 2009 Allocations and Requirements
Under the Credit Reform Act of 1990

The Office of Management and Budget (OMB) has approved this year's apportionment of **recoverable** Direct Loan Financing and Liquidating Program Loan Cost Expense (PLCE) funds for Rural Development Housing and Community Facilities Programs. Your State's **annual** Fiscal Year (FY) 2009 PLCE fund allocations for the Direct Loan Financing and Liquidating Accounts are provided in Attachment 1. Your State's recoverable fund allocations are based on the number of existing 502 Direct loans and 515 projects in your State. These funds have been posted on the Type 60 Foundation Financial Information System (FFIS).

All PLCE funds required in the Community Facilities Program are held in the National Office. Funding for Community Facilities PLCEs should be requested by completing and faxing Attachment 2 to Robert Bogan at (202) 690-0652.

Attachment 1 also lists your State's Salaries and Expense Account ("A" funds) initial allocation for FY 2009 (also posted on FFIS), under the current Continuing Resolution through March 6, 2009. This year's non-recoverable PLCE funds are only authorized for Single-Family Housing (SFH) mortgage releases, pre-approved Multi-Family Housing (MFH) appraisals, pre-approved MFH cost certifications, SFH and MFH wage match, SFH bankruptcy fees, and SFH inventory property

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inspections and interpreter services. No other uses of non-recoverable PLCE funds are allowed without prior National Office permission. Your State's initial "A" funds provided in Attachment 1 should be conserved for emergency SFH needs only during the Continuing Resolution.

To request specific MFH appraisals and/or cost certifications, contact Tom Ale at Thomas.Ale@wdc.usda.gov or (202) 720-1620. For all other emergency needs requiring "A" funds, contact Carl Muhlbauer at Carl.Muhlbauer@wdc.usda.gov or (202) 690-2141.

We will again need your cooperation in stretching our limited non-recoverable funding this year. Please check the accuracy of the Program Authority Codes (PACs) entered into FFIS for your State's PLCEs. Make sure you use the current PAC Tables (effective October 1, 2007) to verify the recoverability of each charge you submit. The SharePoint web site address for the Tables is:

<https://rd.sc.egov.usda.gov/teamrd/RD%20Program%20Loan%20Cost%20Information/Forms/AllItems.aspx?RootFolder=%2fteamrd%2fRD%20Program%20Loan%20Cost%20Information%2fRural%20Development%20PAC%20Codes&FolderCTID=%26View=%27b55E32C01%2dBF4F%2d4DD9%2d868F%2d48E5150204E2%7d>

To get to this site, Ctrl-Click this hyperlink. If you have trouble Ctrl-Clicking this hyperlink, or if you have received this memorandum as a hard copy, go to the SharePoint site at the following address:

<https://rd.sc.egov.usda.gov/teamrd/default.aspx>

Then, on the upper left side of the screen, under "Documents," click on the Rural Development Program Loan Cost (PLC) Information link; then, on the next screen, click on "Rural Development PAC Codes."

Under provisions of the Credit Reform Act of 1990, each State has three non-transferable accounts to manage. The Direct Loan Financing Account, also referred to as the "R" Account, is used to pay PLCEs that are chargeable to a direct/insured borrower, property account, or subsidy funds in which the loan was obligated in FY 1992 or subsequent years. The Liquidating Account, also referred to as the "L" Account, is used to pay PLCEs that are chargeable to a direct/insured or guaranteed borrower or property account in which the loan was obligated prior to FY 1992. The oldest outstanding loan provides the basis for determining which recoverable ("L" or "R") Account to charge in the case of multiple loans. The non-recoverable Salaries and Expense ("A") Account is to be used to pay non-recoverable PLCEs that are not chargeable to a borrower, property account, or subsidy funds for all Housing and Community Facility programs.

Funding for PLCEs paid from cash proceeds from a sale and recoverable guaranteed loan expenses are not allocated. If you need to process a recoverable guaranteed program loan cost expense, please contact the Guaranteed Loan Branch of the Finance Office (St. Louis) at (314) 457-4192 for instructions. Program officials are the only staff authorized to certify PLCE funds availability. Administrative officials (Contract Program Managers, Contract Specialists, Budget Analysts, etc.) are not authorized to certify PLCE funds availability. The Program Loan Cost Coordinator is responsible for monitoring obligations/disbursements of PLCE allocations by account to avoid violation of the Anti-Deficiency Act. Specifically, your State Office Housing Program section is responsible for determining and documenting how these funds will best be used to meet your program goals and objectives. It is also accountable for the proper use of these funds. State Offices are required to issue a State Administrative Notice identifying a methodology for controlling their funds, naming the program official designated to certify PLCE fund availability, and, if these funds are sub-allocated, distribute them by program and account. **A State should not request additional funding in any of its three PLCE accounts until it has obligated at least 90 percent of its current account funds.**

If field staff have any questions concerning this memorandum, they should contact their State Office. If State Office officials have questions concerning this memorandum, they should contact Carl Muhlbauer, Program Support Staff, at (202) 690-2141.

Attachments (2)

Sent by electronic mail on 10/23/08 at 1:00p.m. by PSS. State Directors should notify other personnel as appropriate.

PROGRAM LOAN COST EXPENSE FUNDS

Housing Programs (RHIF) - FY 2009

State/Territory	Allocations		
	Salaries & Expense Account	Direct Loan Financing Account	Liquidating Account
Alabama	\$936	\$1,001,295	\$487,856
Alaska	\$138	\$88,501	\$42,598
Arizona	\$461	\$451,460	\$200,500
Arkansas	\$753	\$845,164	\$433,491
California	\$1,064	\$840,619	\$429,378
Colorado	\$319	\$268,423	\$133,650
Delaware	\$361	\$331,709	\$175,604
Florida	\$944	\$1,052,171	\$502,228
Georgia	\$1,120	\$1,092,445	\$516,834
Hawaii	\$394	\$593,349	\$234,113
Idaho	\$258	\$262,168	\$141,364
Illinois	\$797	\$807,446	\$443,758
Indiana	\$683	\$584,121	\$343,786
Iowa	\$530	\$534,902	\$322,516
Kansas	\$372	\$345,200	\$210,274
Kentucky	\$1,026	\$1,203,828	\$558,749
Louisiana	\$806	\$899,441	\$430,444
Maine	\$429	\$527,122	\$278,848
Massachusetts	\$340	\$330,606	\$158,177
Michigan	\$871	\$673,873	\$408,173
Minnesota	\$499	\$297,730	\$250,159
Mississippi	\$1,477	\$2,148,254	\$940,820
Missouri	\$811	\$785,654	\$467,245
Montana	\$207	\$192,840	\$108,497
Nebraska	\$252	\$219,521	\$138,761
Nevada	\$78	\$54,160	\$36,083
New Hampshire	\$183	\$165,271	\$82,412
New Jersey	\$196	\$225,504	\$107,912
New Mexico	\$379	\$364,948	\$164,693
New York	\$810	\$607,614	\$334,082
North Carolina	\$1,512	\$1,472,305	\$701,245
North Dakota	\$146	\$152,779	\$105,381
Ohio	\$901	\$682,652	\$347,833
Oklahoma	\$552	\$497,557	\$254,149
Oregon	\$418	\$339,661	\$175,215
Pennsylvania	\$1,083	\$878,586	\$404,354

Puerto Rico		\$913	\$1,543,514	\$616,666
South Carolina		\$887	\$967,041	\$443,706
South Dakota		\$188	\$170,795	\$154,057
Tennessee		\$966	\$1,008,777	\$471,357
Texas		\$2,035	\$1,855,595	\$877,717
Utah		\$178	\$204,176	\$96,923
Vermont		\$185	\$195,640	\$105,698
Virgin Islands		\$83	\$100,559	\$42,493
Virginia		\$826	\$832,148	\$376,404
Washington		\$451	\$322,034	\$193,198
West Virginia		\$501	\$522,648	\$253,453
Wisconsin		\$579	\$372,623	\$252,230
Wyoming		\$102	\$85,571	\$44,916
Total		\$30,000	\$30,000,000	\$15,000,000

**FISCAL YEAR PROGRAM LOAN COST EXPENSE
RURAL HOUSING SERVICE - COMMUNITY PROGRAMS**

State: _____
Contact Person: _____
Telephone Number: _____

Account: _____
Fax No.: _____

Program Authority Code (PAC):

_____ (Loan Program)

_____ (General Purpose)

_____ (Program Activity)

_____ (Detail Description)

Program Authority Required: _____ (Indicate Yes/No)

Recoverable _____ Non-recoverable _____

Description of Request:

CONTRACTUAL

Inspections _____
Appraisals _____
Analysis and Audits _____
Information Services _____
Other Services _____
Maintenance & Management _____
Repair/Improvement _____
Exclusive Broker _____
Open Listing Broker _____
Environmental _____
Other Field Contracting _____
Credit Bureau Reports _____
TOTAL _____

NONCONTRACTUAL

Advertising _____
Real Estate Taxes _____
Insurance _____
(including flood) _____
Other (Explain) _____
Utilities * _____
TOTAL _____

* Attach copies of vouchers and/or documents.

State Program Director

Concurrence: _____ Date: _____
Associate Administrator/Deputy Administrator

TO BE COMPLETED BY NATIONAL OFFICE:

Account Balance after this obligation: _____

Initials: _____

Date: _____

October 23, 2008

TO: All State Directors

ATTN: Community Programs Directors

FROM: Russell T. Davis *(Signed by Russell T. Davis)*
Administrator
Rural Housing Service

SUBJECT: Guidance on Extension of Conditional Commitment
for Guarantee

Recent experience on extending Conditional Commitments for Guarantee (Conditional Commitment) has revealed that additional guidance on this subject is needed by Rural Development staff. Rural Development Instruction 3575-A, § 3575.63 “Conditions precedent to issuance of the Loan Note Guarantee”, generally describes the requirements that must be met to extend the Conditional Commitment in § 3575.63(f) as follows,

“If the Loan Note Guarantee cannot be issued before the Conditional Commitment expires, the lender must submit a written request for an extension of the expiration date. The lender must document and certify to paragraph (a)(1) and (a)(11) of this section specifically identifying any modifications.”

The guidance provided under Rural Development Instruction 3575-A, § 3575.63(f) refers the reader to the beginning of this section, wherein it states in (a)(1) and (11),

“The Loan Note Guarantee will not be issued until:

(a) The lender certifies that:

(1) No changes have been made in the lender's loan conditions and requirements since the issuance of the Conditional Commitment for Guarantee except those approved in the interim by the Agency in writing.”

and

“(11) There has been no substantive adverse change in the borrower's financial condition nor any other adverse change in the borrower during the period of time from the Agency's issuance of the Conditional Commitment for Guarantee to issuance of the Loan Note

EXPIRATION DATE:
October 31, 2009

FILING INSTRUCTIONS:
Community/Business Programs

Guarantee. The lender's certification must address all adverse changes of the borrower and the guarantors. For purposes of this paragraph, the term borrower includes any parent, affiliate, or subsidiary of the borrower."

Community Programs has established a policy that the extension of a Conditional Commitment must be requested prior to expiration of the Conditional Commitment. Accordingly, Rural Development staff shall calendar the expiration dates on Conditional Commitments that have been issued to lenders to maintain this policy. If a circumstance arises where the Agency is close to the expiration date on the Conditional Commitment and does not have adequate time to perform the due diligence necessary to granting an extension, then the Agency may simply extend the Conditional Commitment for the additional two to four weeks time it may require to determine the projects continuing viability, required under Rural Development Instruction 3575-A, § 3575.63. This short extension will relieve the pressure on local Agency staff, allow for a quality review of the lender's certifications and assist the lender in complying with Community Programs policy. The Agency may request additional documentation from the lender that will assist them in determining that there has been no adverse change in the borrower's financial condition, such as current financial statements with the lender's analysis. The Conditional Commitment, if the Agency concurs with the lender's request for extension, may then be extended by the Rural Development State Office for the additional time necessary to complete construction on the project.

If you have any questions concerning this issue, please contact Kendra Doedderlein at (202) 720-1503.

October 23, 2008

TO: State Directors
Rural Development

ATTN: Multi-Family Housing Program Directors/Coordinators and
Automated Multi-Family Accounting System Coordinator

FROM: Russell T. Davis (Signed by Clyde Thompson)
Administrator
Housing and Community Facilities Programs

SUBJECT: Request for Fiscal Year 2009 Rental Assistance Data for Renewal Needs for
Multi-Family Housing

The purpose of this memorandum is to obtain verified data concerning the need for renewal Rental Assistance (RA) during Fiscal Year (FY) 2009. This data will be used to allocate renewal RA and must be accurate.

Each State Automated Multi-Family Accounting System (AMAS) Coordinator should review the RC-823, "Unliquidated Rental Assistance Obligations Estimated Fund Depletion Report," located at <https://mfhdemoteam.sc.egov.usda.gov/RA>. To access the report, locate the "Documents" heading in the left navigation bar. Select 'FY 2009 823C report' and then select your respective State from the list. This report should be forwarded to your servicing offices for review and compilation of expiring RA obligations that need to be renewed during the time period of January 1 through December 31, 2009. Any changes to the report should be entered into the RA web site. Instructions on updating information on the RA website are also located under the "Documents" heading on the web site in the left navigation bar. The due date for completion of the review is **November 26, 2008**.

A. Review Process for the RC-823 C Report:

To help identify renewal RA needs, the following steps should be followed:

1. The AMAS Coordinator should update the RA web site and verify project-by-project RA renewal needs for only those projects with RA agreements that will run out of funds during the time period of January 1, 2009, through December 31, 2009.

EXPIRATION DATE:
October 31, 2009

FILING INSTRUCTIONS:
Housing Programs

2. Enter in any additional projects that are not listed on the report, but need to be renewed during the January 1 through December 31, 2009, time period. Projects currently scheduled to deplete between January 1, 2010, and March 31, 2010, need to be evaluated to determine if RA is being used at a rate that would cause the obligation to need renewal during FY 2009.
3. The servicing office should identify and update the quarter in which the project's RA will be depleted. When examining RA agreement usage to determine which quarter the RA will deplete, utilize the average of the last 3 months' RA usage. The last 3 months' average will provide the most accurate indicator of usage by taking into account recent rent increases and usage by current tenants.

NOTE: Renewal RA should not be obligated earlier than 90 days prior to the projected depletion of funds. Example: An RA obligation that will deplete during the January 1 to March 31 quarter should not be obligated prior to October of the preceding year.

4. To assist you in determining the correct number of RA units needed to be renewed, you may wish to review additional sources for verifying renewal needs, such as your RA tracking records; RC-620 Report, "Rental Assistance Management Report;" or the Multi Family Information System (MFIS) Report PRJ2200, "Rental Assistance Agreement."
5. Please DO NOT include units identified as Hurricane RA as part of the count for units that need to be renewed. Hurricane RA units were designated in FY 05 obligations as unit types D, J, and S and have an RA agreement number that begins with '05' for example, 050200.
6. DO NOT INCLUDE EXPIRING RA OBLIGATIONS THAT HAVE ALREADY BEEN RENEWED WITH A RENEWAL OBLIGATION. The AMAS Coordinator should ensure and confirm that RA obligations that were renewed, but still appear on the report because of an unliquidated balance on the expiring obligation, are deleted from the automated report and are not "double counted." Since the RC-823 report was run as of June 30, 2008, RA obligations that have been renewed since June 30, 2008, must be removed.

B. Review Process for the RC-823 D & E Report:

Along with the RC-823, "Unliquidated Rental Assistance Obligations Estimated Fund Depletion Report," are Parts D & E entitled, "RA Agreements Inactive for 3 Months or More." In order for the National Office to determine that RA is being properly utilized, it will be necessary for you to respond regarding the status of each of the obligations shown outstanding on the RC-823 D & E report. Please review and make notations on the automated report as to which of the following conditions exist:

1. Now Being Used
2. Renewal - To Be Used

3. New Construction - Not Operational
4. Acceleration / Foreclosure In Process
5. Inventory Property
6. Rehabilitation In Progress
7. Hurricane Units
8. Property Prepaid
9. Other (Provide Explanation)

Each State AMAS Coordinator should send an e-mail notification to William.Coles@wdc.usda.gov once the review and verification process for the State has been completed.

C. FY 2005, 2007 & 2008 RA Agreements

RA obligations that were approved in FY 2005, FY 2007 (between February 15, 2007, and September 30, 2007) and FY 2008 will have their agreements expiring in FY 2009. In some cases, the term of the agreement will be expiring and funds remaining in the RA obligation.

The existing Form RD 3560-27, "RA Agreement," will need to be revised to extend the agreement to September 30, 2009, for borrowers with funds remaining in their RA obligation.

We anticipate a majority of the RA obligations will have depleted prior to September 30, 2009, and the renewal process will be initiated.

If you have any questions, please contact either William Coles at (202) 720-5443 or Janet Stouder at (202) 720-9728.

October 23, 2008

TO: State Directors
Rural Development

ATTN: Rural Housing Program Director

FROM: Russell T. Davis *(Signed by Russell T. Davis)*
Administrator
Housing and Community Facilities Programs

SUBJECT: Supervised Bank Accounts

This unnumbered letter is reissued in response to continued questions on the use of Supervised Bank Accounts (SBAs) with our housing programs. It will replace any previous unnumbered letters on this subject.

We have clarification from the Justice Department, Treasury Department, and the Federal Deposit Insurance Corporation (FDIC) on local banks requiring employee social security numbers when opening an SBA. The Customer Identification Program (CIP) as required by Section 326(a) of the USA Patriot Act, Pub. L. 107-56 (2001), is required from the customer, our borrower, and the depositor.

Rural Development is a Government organization and is exempt from the CIP requirements of the USA Patriot Act. Specifically, 31 C.F.R. Sections 103.22(d)(2)(ii) and 103.121(a)(3)(ii)(B) exempt all Government agencies from CIP requirements. Each of the three Agencies listed above stated that if the Government and its agencies are exempt as customers, the Government officials who have signature authority in the course and scope of their official government duties are also exempt from CIP requirements. The FDIC suggested that bank compliance officers should be able to provide clarification to local banks regarding this issue.

If you have any questions regarding this memorandum, please contact Michael Feinberg of the Single Family Housing Direct Loan Division at (202) 720-3214, or Janet Stouder of the Multi-Family Housing Portfolio Management Division at (202) 720-9728.

EXPIRATION DATE
October 31, 2009

FILING INSTRUCTIONS:
Housing Programs

October 23, 2008

TO: State Directors
Rural Development

ATTN: Multi-Family Housing Program Directors and Coordinators

FROM: Russell T. Davis *(Signed by Russell T. Davis)*
Administrator
Housing and Community Facilities Programs

SUBJECT: Underwriting Guidance for Multifamily Housing Revitalization Transactions

Purpose. The purpose of this Unnumbered Letter (UL) is to discuss the key underwriting principles that Rural Development has adopted for underwriting Multi-Family Housing Revitalization Transactions which include transfer of ownership transactions and Multifamily Portfolio Revitalization (MPR) demonstration transactions.

“Underwriting” Defined. Rural Development uses the term “underwriting” to refer to the determination of financial feasibility. This involves questions such as:

- Will the property be able to meet its projected up-front and long-term capital needs?
- Are the proposed rents adequate without being excessive?
- Will the level of vacancy and bad debt loss be adequate without being excessive?
- Is the Operating and Maintenance (O&M) expense level adequate to operate the property?
- Will all of the borrower’s loan accounts be current after the transaction is closed?

This UL will focus on these and other aspects of financial feasibility. Conversely, this letter will not discuss other aspects of Rural Development transaction processing, such as determining the suitability of the borrower, assessing environmental compliance, or evaluating fair housing compliance.

Organization. Section I discusses how Rural Development’s underwriting principles were developed. Section II discusses the most important underwriting determinations for transfer transactions. Section III discusses the most important underwriting determinations for MPR transactions (including MPR transactions involving transfers, as well as MPR transactions with the existing borrower).

EXPIRATION DATE:
October 31, 2009

FILING INSTRUCTIONS:
Housing Programs

I. Rural Development Underwriting Principles for the MPR and How They Were Developed.

- A. **Major RRH Goal.** Rural Development's major goal for the Rural Rental Housing (RRH) portfolio is to preserve needed properties, using long-term Restrictive Use Provisions (RUP) and/or Restrictive Use Covenants (RUC), under sustainable rent and financing structures. A sustainable rent and financing structure is one that can be expected to meet the property's needs, for a 20-year period or longer, if rents are increased no faster than the rate of general inflation, and without needing additional Rural Development or third-party funding such as supplemental loans.
- B. **Revitalization.** Rural Development uses the term "revitalization" within the MPR program to mean the process by which a financially non-sustainable property is made primarily sustainable. A revitalized property will be sustainable for the long term under its current rent and financing structure, without the need for unusual rent increases or new Rural Development loans, and has long-term tenant affordability protection under a RUP or RUC.
- C. **The CPA Study.** Revitalization had its roots in the Comprehensive Property Assessment (CPA) study, whose final report was issued in November 2004. The good news from the CPA study was that the RRH portfolio was in generally good physical condition, with generally affordable and modest rents. The bad news was the portfolio was not financially sustainable. The CPA study proved what we suspected: that current rent structures and financing structures are not adequate for long-term sustainability. The CPA study also concluded that solving the RRH sustainability problem in the traditional way (with rent increases, additional rental assistance, and supplemental loans) would be prohibitively expensive from a Federal budget standpoint. Finally, the CPA study demonstrated that a less expensive alternative is to utilize debt deferral, available third-party funding such as Low Income Housing Tax Credits (LIHTC), and modest additional Rural Development funding.

- D. **Budget Pressure, Particularly on Rental Assistance (RA).**¹ Since the CPA study was completed, Rural Development has come under extreme budget pressure because outlays (i.e. actual cash spending) for RA have been growing much faster than the rate of general inflation. This dramatic increase in rents is because Rural Development staff and borrowers seek to meet heavy long-term capital needs in the traditional way, by increasing rents. It is increasingly clear that Rural Development will not be able to continue this approach. Revitalization through the MPR program is Rural Development's most feasible approach for solving this problem, because revitalized properties will be made viable with rent increases that do not exceed the rate of general inflation.
- E. **MPR Demonstration Programs.** Starting with Fiscal Year (FY) 2005, Congress has authorized MPR demonstration programs annually, under which Rural Development and borrowers test the debt deferral and sustainable underwriting approaches recommended by the CPA study. The FY 2008 MPR demonstration program marked the fourth consecutive year.
- F. **Key MPR Underwriting Principles.** The underwriting principles discussed in this UL can be grouped into the following general headings:
1. **New 20+ year restrictive use agreement.** This can take the form of a RUP contained in the mortgage loan documents, or Rural Development's preferred solution, a separate RUC that is outside the loan documents and that is designed to survive foreclosure or prepayment. *A RUC is required as a condition of any significant Rural Development investment in a property.*
 2. **Modest and affordable rents.** MPR transactions result in rents that are as low as possible (consistent with satisfying MPR underwriting principles), that are at or below Conventional Rents for Comparable Units (CRCU), and that are affordable to residents.
 3. **Sustainable operating budget.** Rural Development has adopted underwriting approaches that generally provide additional "elbow room" in the property's rent structure, so that normal year to year variations in revenues and expenses can be absorbed from operations. Post-MPR, the project reserve account cannot be used to support operations and it is restricted for capital needs identified in the CNA.
 4. **Sustainable Reserve based on CNA.** In MPR transactions, the reserve account is sized so that 100 percent of CNA needs can be met from the reserve account, without needing other funding from Rural Development and without needing operational support such as rent increases above the rate of inflation, or supplemental loans.

¹ Basic Rents for MPR demonstration properties will continue to be set in the normal manner, based on budgets, and accordingly rents may increase faster than inflation in some years and slower than inflation in other years. However, successful MPR demonstration properties will not require that rents increase faster than inflation, measured over a period of years. Rural Development has requested legislative authority from Congress, to create alternative rent-setting mechanisms in the future.

II. Underwriting Principles for Transfer Transactions. This letter discusses transfer transactions first, for two reasons. The first is that HB-3-3560, Chapter 7 has just been revised, is now in clearance, and incorporates important clarifications, some of which are discussed below. Another is that, when transfer transactions are proposed in conjunction with MPR, the transfer underwriting must be done first (and only then can debt deferral and other MPR tools be applied to the property, to reduce rents and further stabilize the property).

- A. **Overview.** After a transfer, properties should be revitalized and sustainable.
 - 1. **CRCU Limitation.** Any equity loan debt service, and any increase in the Return to Owner (RTO), must fit within CRCU, after providing sustainable levels of rent loss, O&M expenses, and reserve accounts. CRCU must be determined using a Rural Development-approved method.
 - 2. **Generally No Rural Development Funds.** If equity pay-out or increased RTO are proposed, no Rural Development funds (e.g., debt deferral, supplemental loans, or grants) may be proposed as part of the transfer because there is no need for further funding. Rural Development funds may; however, be proposed as part of an MPR transaction, after completion of transfer underwriting. Properties that were transferred previously, under earlier guidance, are eligible for the MPR and may receive new Rural Development funds as part of the MPR transaction, for example to accommodate capital needs identified in the new 20-year CNA that exceed those identified in a 10-year CNA done at the time of transfer.
 - 3. **For Additional Information.** Transfer underwriting is discussed in detail in the revisions to HB-3-3560 Chapter 7, now in clearance.
- B. **Key Parties to a Transfer.** The key parties are the seller, the purchaser, Rural Development, and any third-party funders.
 - 1. **Needs of Rural Development.** In order to maintain the value of the project, as security for Rural Development's loans, Rural Development imposes these requirements on all transfers:
 - a. **Adequate Funding for Up-Front Capital Needs.** There must be adequate funds up front to cover needed immediate repairs. These may include up-front rehab that is being paid for with third-party funds.
 - b. **Adequate Funding for 20-Year Capital Needs.** The ongoing reserve account balance must be sufficient to meet the identified capital needs of the property over the next 20 years in accordance with the CNA. The CNA must be provided as part of the documentation needed for the approval of a transfer transaction and must be found acceptable by Rural Development.

- c. **Adequate O&M Expenses.** O&M expenses budgeted for the transfer must be adequate to operate the project in a normal year and should generally be at or above historical levels. Projects requiring major rehabilitation may reflect changes in the maintenance cost whenever (a) historical expenses have been elevated because of poor property condition and (b) the proposed reduced cost will be adequate on a long-term basis and will be in line with other projects of similar size and characteristics in the same cost areas. Note that if there is a Section 538 loan, the annual guarantee fee must be included in the O&M expense budget.
 - d. **For More Information.** Revised HB-3-3560, Chapter 7 addresses all of Rural Development's requirements for transfer transactions.
 - 2. **Needs of Seller and Purchaser.** The seller typically is seeking to receive cash equity. The purchaser typically is seeking a viable property plus a developer fee or other compensation for putting the transaction together. A developer fee is the allowed amount of money a owner receives from putting together the deal and can be paid from tax credit equity, RTO that is earned and distributed, or Section 538 loan proceeds, but not from other Rural Development funds such as MPR tools. After Rural Development has made clear what is necessary to satisfy Rural Development's needs, then the buyer and seller can focus on the remaining portion of the proceeds in their negotiations in completing the transfer.
 - 3. **Working With Third-Party Funders.** In most instances there are outside funds provided through tax credits, tax-exempt bonds in association with tax credits or other third-party funds. Even though tax credits are provided through state housing finance agencies and have no bearing on the U.S. Department of Agriculture's (USDA) debt service, the credits could not be obtained without utilizing the property to acquire the tax credit proceeds in the first place.
- C. **Existing and Future RUP/RUC.** The following are important considerations regarding long-term affordability in transfer transactions.
 - 1. **Expiration Date for Pre-Transfer RUP.** This information is necessary because it may determine appraisal requirements. For instance, if a property has 10+ years left on its RUP then the appraisal for equity would be completed "as is" market value subject to the RUP. For more information: HB-1-3560, Chapter 7.
 - 2. **Post-Transfer RUP or RUC.** In general, a new 30-year restriction is required whenever there is an equity loan, and a new 20-year restriction is required otherwise. For more information:
 - a. 7 CFR Section 3560.406(g) and the reference Section 3560.662.
 - b. Revised HB-3-3560, Chapter 7, Paragraph 7-31 D and 7 CFR Section 3560.406(g).

- D. **Key Underwriting Determinations for Transfer Transactions.** The most important financial feasibility determinations for transfer transactions include the following, each of which are discussed in more detail below:
1. **CRCU.** What are the true market rents that this property could command in its local market if there were no USDA restrictions?
 2. **Re-amortization.** Often, it will be in Rural Development's interest to re-amortize existing loans as part of a transfer transaction.
 3. **Maximum equity loan debt service.** What is the largest equity loan monthly payment that will fit within CRCU, when the underwriting otherwise complies with Rural Development revitalization principles? A related determination is the **maximum equity loan amount**.
 4. **Sales Price.** Is the proposed sales price acceptable?
 5. **New RTO.** In what circumstances should the new RTO be higher, or lower, than the pre-transfer RTO?
 6. **New rents.** What should the new post-transfer Basic Rents be?
- E. **CRCU.** CRCU must be determined in every transfer (revised HB-3-3560, Chapter 7, paragraph 7-7 B).
1. **When an Appraisal is Required.** An appraisal that assumes there are no low income restrictions on the property is required whenever either (a) equity pay-out is proposed, or (b) an increased RTO is proposed. An appraisal for security value may also be required. For more information: revised HB-3-3560, Chapter 7, Paragraphs 7-8 D and 7-26, and Attachment 7-B-1, items 11 and 12.
 2. **Rent Comparability Study.** The other approach for determining CRCU is a rent comparability study, using a Rural Development-approved statement of work from the voucher demonstration program. This approach can only be used when an appraisal is not necessary for the transfer.
 3. **Other Options for Determining CRCU.** Other options for determining CRCU are available for certain transfer transactions not involving equity pay-out or increased RTO. For more information: revised HB-3-3560, Chapter 7, Paragraph 7-7 B.
- F. **Re-Amortization.** Often, re-amortization of Rural Development loans (over an extended term and/or with a lower note rate of interest) will help to make a proposed transfer transaction feasible for the seller, the purchaser, and Rural Development.
1. Re-amortization is allowable only when it is in the best interest of Rural Development.
 2. Typically, re-amortization will be desired by the seller and purchaser, because typically re-amortization results in additional leeway within CRCU rents for equity loan debt service and/or increased RTO.
 3. However, if 9 percent LIHTCs are used, typically the purchaser will not desire re-amortization, because that may create tax problems for the purchaser.

4. The re-amortization will include a new interest rate at the lower of:
 - a. The note rate on the existing Rural Development loan.
 - b. Rural Development note rate on the day the transfer is approved.
 - c. Rural Development note rate on the day the transfer is closed.
5. For more information: revised HB-3-3560, Chapter 7, Paragraph 7-24.B and 7 CFR 3560.455.b.

G. Equity Loan Determinations.

1. **Maximum Equity Loan Debt Service.** Basically, this is a calculation of the remaining CRCU balance after:
 - a. subtracting a reasonable allowance for rent loss from,
 - b. adding a reasonable estimate for other income (e.g., laundry),
 - c. subtracting adequate O&M expenses,
 - d. subtracting an adequate reserve account deposit,
 - e. subtracting debt service on pre-transfer debt, and
 - f. subtracting the current owner's RTO.
2. **Maximum Equity Loan.** Once the maximum debt service is identified, and once you know the market interest rate and loan term for third-party equity loans, the Underwriting Template (UWT) can calculate the maximum equity loan size.
3. **Accounts Payable.** If equity pay-out is proposed, all accounts payable must be paid by the seller.
4. For more information: revised HB-3-3560, Chapter 7, Paragraphs 7-8.B and 7-8.C, and the Transfer Analysis page of the UWT.

H. Sales Price.

1. **Sales Price for Real Estate.** Obtain this amount from the sales contract agreed to by the purchaser and the seller of the property. If an equity loan is proposed, the amount of the equity loan cannot exceed the maximum amount discussed above.
2. **Sales Price for Reserve Balance.** Rural Development allows the seller to "sell" the reserve account balance to the purchaser but requires the reserve account funds themselves to pass to the purchaser. As a practical matter, the purchaser must come up with third-party funds in order to pay the seller for the reserve account balance. The sales contract will note if the reserve accounts are included in the total sales price (over and above the sales price for the real estate).
3. **Under-Funded or Delinquent Reserves.** Pursuant to 7 CFR Section 3560.406(c) (2) the reserve account balance is below the required amount, the seller must restore the required balance as a condition of transfer.
4. **Inadequate Reserve Account Balances.** In typical transfers, the reserve account is at or above the required amount (required deposits less authorized withdrawals) but does not have sufficient funds to meet any immediate needs and provide an appropriate starting balance for meeting the 20-year CNA needs. For the MPR, the transfer transaction must include sufficient sources of non-Rural Development funds to supplement

the inadequate reserve account balance. When determining the needed additional reserve account deposit at the time of transfer the Initial Deposit to Replacement Reserve (IDRR), the Rural Development Finance and Loan Annalist must also consider the following:

- a. **Gap Account.** If some of the reserve account funding is earmarked for insurance deductible, subtract that amount from the reserve account for underwriting purposes.
5. **Excess Reserves.** For the MPR, Rural Development makes an exception for reserve account balances that exceed the required balance and also exceed the needed 20-year starting balance. These “excess reserve funds” can be released to the seller directly from the reserve account. This is an exception to the general rule that reserve account funds must pass intact to the purchaser. For additional information, refer to: UWT, transfer input sheet.

I. **New RTO.**

1. **Purchaser is a Non-Profit.** In these situations, no RTO is allowed, but an asset management fee might be allowed. For more information: 7 CFR Section 3560.303 (b) (1) (ii). Note that a limited partnership or Limited Liability Company (LLC) is always treated as a for-profit entity by Rural Development, even if the general partner/managing member is a non-profit.
2. **Purchaser is a For-Profit.** The purchaser is eligible for an increased RTO if the transaction includes equity that is being used for hard costs of construction.
 - a. Equity typically is LIHTC equity proceeds, though equity might also come from a deferred developer fee or from the purchaser’s cash contribution.
 - b. Hard costs of construction do not include general requirements, builder overhead, builder fee, builder, profit, developer fee, or other soft costs.
 - c. The UWT includes a transfer sources and uses input sheet to determine equity for hard costs of construction. Sources of funds are allocated between acquisition (paying the sales price), upgrade (hard costs of construction) and costs for other uses including transaction costs. For more information, refer to the UWT transfer the sources and uses input page, and your team leader.
3. **Limitation on New For-Profit RTO.** The actual allowable RTO is the lesser of (a) the existing owner’s RTO plus an additional RTO amount justified by equity used for hard costs of construction and (b) the RTO amount that will fit within CRCU rents, after making room for equity loan debt service. Usually factor (b) is the controlling factor. For more information refer to revised HB-3-3560, Chapter 7, Paragraph 7-9, and the UWT’s transfer analysis page.

- J. **New rents.** The UWT calculates the new post-transfer basic rents. Typically, post-transfer basic rents will be at CRCU or modestly below CRCU. For more information refer to revised: HB-3-3560, Chapter 7, Paragraph 7-8 B, and the transfer analysis page of the UWT.

III. Underwriting Principles for MPR Transactions. This section discusses underwriting principles for MPR transactions. MPR transactions involving transfers will follow these principles in a second “MPR underwriting” after completion of the transfer underwriting discussed in Section II.

- A. **Underwriting Resources in Addition to This Letter.** The Rural Development UWT contains instructions and tips on each page. In addition, Rural Development publishes a set of high level instructions for the UWT, designed to help first-time users understand the UWT and how to use it.
- B. **Key Underwriting Determinations.** The key financial feasibility determinations for MPR transactions include the following. Each of these is discussed in more detail below.
 - 1. **Rent loss factor.** An appropriate allowance for vacancy loss, bad debt loss, and concessions.
 - 2. **Sustainable O&M expenses.** Underwritten O&M expenses must be adequate.
 - 3. **Operating Cushion.** A budget allowance, built into the basic rents that allows the property to absorb normal income and expense fluctuations without needing to dip into the reserve account.
 - 4. **Sustainable Funding for Capital Needs.** Determining the appropriate mix of funding to address long-term capital needs identified in the CNA.
 - 5. **Impact on Rents and RA.** Minimizing negative impacts to tenants and to Rural Development’s RA budget while providing for the property’s long-term viability.
 - 6. **Mix of MPR tools.** Selecting the most appropriate mix of funding mechanisms.
- C. **Rent Loss Factor.** The appropriate factor is one that will be adequate to absorb normal year to year fluctuations in occupancy and in local market conditions. *Generally the rent loss factor should be the greater of either (a) 5.0 percent or (b) 2.0 percent above recent actual rent loss.*
 - 1. **Recent Actual Rent Loss.** Compare collections in the most recent two years Form 3560-7 to budgeted rental income. For instance, if a property has incurred 6.0 percent rent loss in 2007 and 5.2 percent rent loss in 2006, a rent loss factor of 8.0 percent is indicated (the highest of the historical rent loss factors plus 2.0 percent).
 - 2. **If Actual Rent Loss is High.** The MPR transaction should include physical changes, marketing changes and/or operational changes to reduce rent loss whenever historical rent loss exceeds 7 percent-8 percent. *In this*

situation, the underwritten rent loss factor (rent loss page of the UWT) can be below the historical level but not below 7 percent.

3. **Consider Rent Increase.** Obviously, the marketability of the property to non-subsidized tenants will be affected by any proposed change in basic rents. In reviewing MPR transactions for approval, Rural Development will presume that rent loss among non-subsidized tenants will increase if rents are increased and will decrease if rents are decreased.
4. **Consider Relationship to CRCU.** If the proposed basic rents are well below CRCU, typically the borrower should be able to market the property to non-subsidized tenants with low or minimal rent loss. If a rent increase results in proposed basic rents that approach CRCU levels, difficulties in marketing the property to non-subsidized tenants can be expected. For these properties with non-subsidized tenants receiving this type of rent increase, carefully evaluate whether the historical rent loss plus two percent adequately reflects the actual rent loss that the property will experience in the future. For these properties, using a larger rent loss amount when underwriting the transaction may be appropriate.
5. **Temporary Rent Loss During Rehab and Lease-Up.** If the MPR transaction includes significant repairs, relocation of residents, or both, it may be necessary to include additional sources of funds in the transaction to cover temporary losses of revenue during the repair period and for the time it takes to re-lease the apartment. Relocation costs may also be involved (relocation costs can be paid from third-party funds). There is no authority or funds for Rural Development to pay for the relocation expenses.

D. **Sustainable O&M Expenses.** O&M expenses must be adequate to operate the property, must be adequate to absorb normal variations in expense levels.

1. **Consider Recent Actuals and Budgets.** Normally, the underwritten amount for each O&M line item (Form 3560-7, Part II) should be *the greater of (a) the current approved budget, (b) the most recent actual results adjusted for inflation, or (c) the prior actual results adjusted for inflation*. If some different amount is appropriate, the UWT should contain an explanation.
2. **Consider Effects of the MPR Transaction.** For example, if recent actuals include high Heating Ventilation/Air Conditioning (HV/AC) repair costs, and the MPR transaction includes replacement of HV/AC units, the underwritten amount for HV/AC costs can be reduced to a typical level below the unusual levels incurred recently. Similarly, if the MPR transaction involves adding air conditioning, the underwritten amount for HV/AC repairs costs should be higher than historical levels.
3. **Consider Management Agents of Similar Properties.** If proposed O&M expenses are materially lower than those of similar properties, there is a risk the property might not be viable if a change of the management agent is required. Similarly, if proposed O&M expenses are materially higher than those of similar properties, that is an indication that

management is not efficient and should be considered for replacement. A useful measurement is “controllable” expenses (total O&M, minus real estate taxes, minus insurance, minus utilities, minus management fee), per unit.

4. **Consider the CNA.** Form 3560-7 Part II Line 9 (Annual Capital Budget - Operating) will normally be zero in an MPR transaction, because the items normally included in this line will be included in the CNA (and thus funded from the reserve account post-MPR).
- E. **Operating Cushion.** The operating cushion is an allowance, included within the basic rents, over and above the allowed RTO, from which the borrower can cover adverse fluctuations in revenues and expenses. *Rural Development has adopted a guideline level of cushion equal to 10 percent of total O&M expenses.*
1. **Greater than Normal Cushion.** This level should be increased if the project is especially vulnerable to revenue and expense fluctuations.
 2. **Lower than Normal Cushion.** The level of cushion can be decreased if the property has an especially strong history of operational stability and a strong operating cash balance.
 3. **Cushion and Form 3560-7.** In the post-MPR proposed operating budget, the cushion would appear on Part I Line 30.
 4. **Accounts Payable.** If the property has significant accounts payable, the underwriter should include a solution in the proposed transaction. If any tax escrow or insurance escrow accounts are under-funded, the underwriter should take the under-funding into account because under-funded escrows are additional accounts payable in effect. Solutions could include payment of the excess payables by the borrower, additional cushion to allow the payables to be repaid post-MPR, or additional up-front funds so that payables can be repaid at the MPR closing.
- F. **Sustainable Funding for Capital Needs.** After MPR, the property should be able to meet 100 percent of its expected long-term capital needs from the reserve account, without needing operational resources such as rent increases above the rate of inflation, and without needing new funding such as supplemental loans.
1. **Rural Development’s Review of CNA.** Rural Development review and acceptance of the CNA must be completed prior to beginning the capital needs portion of the underwriting process. Rural Development instructions for CNA review may be found in the CNA UL and at [URL](#). Any adjustments made by Rural Development (in the UWT) affect underwriting but do not change the underlying CNA, which remains in Rural Development’s files exactly as it was submitted by the CNA provider. Underwriters should recognize that the CNA (and Rural Development’s CNA review) may call for changes in O&M expenses.
 2. **Sources of Funding.** Sources of funding include the existing reserve account balance, any IDRR to be made at the MPR closing, future reserve account deposits, and interest earnings.

3. **Inflation Assumptions.** Rural Development's instructions for CNAs ask the CNA provider to assume that unit costs (for example, refrigerators and roof replacements) will increase at 3.0 percent per year. For MPR underwriting, Rural Development asks underwriters to assume that unit costs will increase at the rate of inflation assumed in the President's budget, and to assume that the annual reserve account deposit amount will increase at the same rate.
 4. **Mix of IDRR and Annual Deposit to Reserves (ADRR).** Obviously, a property's 20-year capital needs can be met through many different combinations of IDRR and ADRR. Underwriters should select a combination that is appropriate given this particular transaction's characteristics, including:
 - a. **Impact on Rents and RA.** Generally, the combination that results in the lowest level of basic rents will be preferred.
 - b. **Likely Future Needs.** Generally, the ADRR should reflect the likely long-term level of capital needs, so that the property will be adequately positioned for sustainability following the 20-year analysis period.
 - c. **Availability of Funds.** Obviously, a strategy that requires a significant IDRR can be adopted only if sources of funds are available to make the IDRR, and if it is more cost effective to utilize those funds than to utilize an alternative strategy that does not require an IDRR.
 - d. **Ending Reserve Account Balance.** *Rural Development has a guideline that the ending reserve account balance should be at least 2.0 times average annual needs (measured over the 20-year CNA analysis period, including inflation).* Generally, if the ending balance is significantly above this level, the Rural Development Finance and Loan Annalist should consider reducing the ADRR and increasing the IDRR. Generally, if the ending balance is significantly below this level, the underwriter should consider increasing the ADRR.
- G. **Impact on rents and RA.** Typical MPR transactions either reduce basic rents or result in a slight increase. However, some MPR transactions require significant increases in basic rents. *Basic rents may not increase more than 10 percent in any year, the total rent increase may not exceed 30 percent, and the needed rent increase may be phased in over a period not to exceed three years.*
1. **Viable Rents.** Basic rents must be high enough to support the property's long-term viability, and low enough to be affordable to tenants and to be competitive in the local rental market.
 2. **Rent Decreases.** Generally, rent decreases are implemented immediately and are not phased in.
 3. **Impact on RA.** In approving MPR transactions, Rural Development considers carefully the impact on RA costs and prefers approaches that minimize any negative impact on RA and tenants.

- H. **Mix of MPR tools.** The MPR demonstration programs include a variety of financial tools for making properties sustainable. *The underwriter should propose a mix of tools that is most appropriate for the particular MPR transaction, taking into account the factors discussed below.*
1. **List of MPR Tools.** Following is a brief description of the range of MPR tools that have been authorized by Congress for the various MPR demonstration programs (FY 2005 through FY 2008).
 - a. **Debt Deferral.** Every MPR transaction will utilize debt deferral for pre-credit-reform loans (loans obligated prior to October 1, 1991). Generally, debt deferral allows basic rents that previously funded debt service to be used for increased reserve account deposits and other sustainability initiatives.
 - b. **Supplemental Section 515 Loan.** Each MPR demonstration program has included significant amounts of supplemental Section 515 funding. This funding typically is used to meet capital needs that are disproportionately expensive in the early years of the CNA analysis period (“front-loaded” needs). *Generally underwriters should use a Section 515 loan to meet 100 percent of any up-front funding needs whenever doing so will result in basic rents that are at or below CRCU and that are affordable.* The note rate of interest will be the lower of Rural Development note rate in effect at the time of loan approval, or at the loan closing date.
 - c. **Non-profit Grant.** A small amount of grant funding, available only for non-profits, and only for immediate health and safety repairs. *Generally, underwriters should propose this funding for each eligible transaction.*
 - d. **Soft Second (FY 08 Demo) or Bullet Loan (Earlier Demos).** Loans at a 1 percent interest rate, with all debt service deferred for the remaining term of the longest Rural Development loan. The advantage of this funding is that it does not require a rent increase. The disadvantages are that this funding is especially expensive to the taxpayers and that this funding is quite limited. See the discussion in subsection 3 below for situations in which this MPR tool may be appropriate.
 - e. **Zero Percent Loans.** Loans at a 0 percent interest rate, self amortizing over a 30-year term with equal monthly payments. This financing requires modestly higher debt service than a Section 515 loan. *Generally underwriters should not propose this type of funding unless notified that available Section 515 funding has been exhausted.*

2. **Most Common Mixes.** The most common mixes of MPR tools are:
 - a. **Debt Deferral Only.** Transactions that do not have cash needs at closing (or with third-party funding sufficient to meet all cash needs) will utilize debt deferral only (i.e., debt deferral is adequate to meet the property's 20-year needs).
 - b. **100 percent Section 515 (Plus Debt Deferral).** All up-front cash needs (that cannot be covered from available third-party funding) are financed with a supplemental Section 515 loan (plus debt deferral).
 - c. **Section 515 plus Non-profit Grant (Plus Debt Deferral).** Same as 2.b, except the transaction is eligible for, and utilizes, a non-profit grant.
 - d. **100 percent Zero (Plus Debt Deferral).** Same as 2.b, except Section 515 funding has been exhausted and the Zero Percent Loan tool is used in lieu of a supplemental Section 515 loan.

3. **Use of the Soft Second/Bullet Loan Tool.** Less frequently, transactions with up-front cash needs (that cannot be covered from available third-party funding) will use the soft second/bullet loan tool to meet some or all of these needs. This MPR Tool is appropriate for use when there is an especially strong reason to minimize the post-MPR basic rents. Because it is important to minimize basic rents in every transaction, and because this funding is both expensive and scarce, Rural Development restricts its use to transactions with the most pressing needs. *Underwriters should not propose this MPR tool unless (a) the property has a significant number of non-assisted tenants and (b) there is an especially strong reason to minimize basic rents in accordance with one of the following situations*
 - a. **Unacceptable Rent Burdens.** If this MPR tool is not used, non-assisted tenants would have unacceptably high rent burdens, and there is no other available method (such as allocation of available RA units) for achieving acceptable levels of rent burden.
 - b. **CRCU Limitation.** If this MPR tool is not used, basic rents would exceed CRCU and thus be unmarketable to non-assisted tenants.
 - c. **Near CRCU.** If this MPR tool is not used, basic rents would be so close to CRCU that marketability to non-assisted tenants would be at risk. Conversely, generally, if the post-MPR basic rents would be well below CRCU, the soft second/bullet loan tool should not be proposed, even if the resulting rent increase is significant.

Conclusion. Rural Development hopes that this letter will result in a broader understanding of revitalization principles and in a portfolio that is increasingly sustainable and resilient. Additional information is available as discussed throughout this letter, and from your Team Leader.

October 27, 2008

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors

FROM: Philip H. Stetson *(Signed by Phillip H. Stetson)*
Acting Deputy Administrator
Single Family Housing

SUBJECT: Unliquidated Obligations

As a result of the A-123 Internal Control reviews that were conducted in fiscal year 2008 it was necessary to develop a Corrective Action Plan (CAP) for Unliquidated Obligations (ULO).

Attachment 8-B to HB-1-3550, "Unliquidated Obligation Review" was released on PN 424 dated October 15, 2008. The review requires State and National Office monitoring of all unliquidated obligations that are greater than 180 days old. The OCFO has requested a quarterly status report to monitor the effectiveness of the CAP. Consequently the National Office will randomly select several states for review at the end of each quarter.

For each ULO meeting the above criteria, selected State Offices will be asked to submit a completed copy of the "Single Family Housing Unliquidated Obligation Review" which is contained in the attachment referenced above. The National Office will also randomly request loan/grant files to conduct reviews of unliquidated obligations. Detailed instructions for forwarding files to the National Office will be provided to the State Office at the time of selection.

Monitoring unliquidated obligations will allow the Agency to properly report and certify the validity of obligation balances, prevent the loss of loan funds that expire at the end of a fiscal year, make funds available that otherwise would not be used and reduce the risk of fraud, waste and abuse. Therefore, it is imperative that all states actively monitor unliquidated obligations in accordance with these requirements.

Questions may be directed to Cathy Glover of the Single Family Housing Direct Loan Division, at 202-720-1460.

EXPIRATION DATE:
September 30, 2009

FILING INSTRUCTIONS:
Housing Programs

October 30, 2008

SUBJECT: Transition to U.S. Bank SmartPay2 Program

TO: National Office Officials
Rural Development State Directors

ATTN: Administrative Program Directors

FROM: Clyde Thompson /s/ *Clyde Thompson*
Deputy Administrator
Operations and Management

This memorandum is to provide information on the United States Department of Agriculture's (USDA) transition to the U.S. Bank SmartPay2 Program. The SmartPay2 Program becomes effective on November 30, 2008, and replaces the current travel and purchase charge cards.

Attachment 1 is a memorandum dated September 26, 2008, from the Office of the Chief Financial Officer (OCFO) that provides updates and current transition details for the new travel charge card. Attachments 2 and 3 are memorandums from John T. McCain, Program Manager, Charge Card Service Center. These memorandums provide information to Approving Officials and Purchase Cardholders on the implementation, responsibilities and benefits of the U.S. Bank SmartPay2 Program. Attachment 2 has the subject line, "USDA Transition to U.S. Bank for Charge Card Services," and Attachment 3 has the subject line, "USDA Transition to U.S. Bank SmartPay2 Program."

If you have any questions on the travel charge card, please contact one of the Travel Unit staff: Kelvin Dawson, (202) 692-0229, Julie Railey, (202) 692-0227, Lisa Washington, (202) 692-0030. You may also e-mail the Travel Unit mailbox at ssd.travel@wdc.usda.gov. If you have any questions on the purchase charge card, please contact Monica Taylor, Procurement Management Division, at 202-692-0109 or via e-mail to monica.taylor@wdc.usda.gov.

Attachments

EXPIRATION DATE:
October 31, 2009

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by electronic mail on 11/4/08 at 1:00 p.m. by PAS.
National Office Officials and State Directors should notify other personal as appropriate.



United States
Department of
Agriculture

Office of the Chief
Financial Officer

1400 Independence
Avenue, SW

Washington, DC
20250

SEP 26 2008

TO: Department of Agriculture Travel Cardholders

FROM: Charles R. Christopherson, Jr.
Chief Financial Officer
Chief Information Officer

SUBJECT: Transition to U.S. Bank for Travel Card Services

The Bank of America's contract with the United States Government to provide charge card services will expire on November 30, 2008. The Department of Agriculture (USDA) has selected U.S. Bank to provide travel charge card services. USDA is taking steps to transition current Bank of America cardholders to U.S. Bank with as little disruption as possible. The Office of the Chief Financial Officer (OCFO) has provided updates to your agency's representatives through the Travel Policy User Group and will continue to make them aware of developing transition details. Current transition details that you should be aware of are:

- Current cardholders will not be required to submit to a credit check or complete an application in order to receive a U.S. Bank card;
- A new U.S. Bank card will be sent to the billing address of your current Bank of America card;
- New cards will arrive starting October 1st through November 15th;
- Cards should be activated (by calling the number on the card) when they are received, but will not work until 12:01 a.m. November 30, 2008. Bank of America cards will stop working at 11:59 p.m. on November 29, 2008. Employees on travel during the transition should carry both cards;
- Automated teller machine (ATM) pins will be sent separately and should arrive within a week after the card is received; and
- OCFO is working with Northrop Grumman to automatically update the GovTrip profiles with your new card's information. In addition, they are developing a plan to transition GovTrip's split payment function from Bank of America to U.S. Bank with minimal confusion. A separate letter will be sent to your agency representatives when these details are finalized.

USDA has also taken this opportunity to enhance the travel card program. Below is a list of improvements that will affect you.

A website is available to keep you informed of USDA's transition and implementation to U.S. Bank. The website address is www.usda.gov/procurement/ccsc.

If you have any questions, please submit them to the USDA Charge Card Service Center at ccsc@usda.gov.



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United States
Department of
Agriculture

Office of the
Assistant Secretary
for Administration

Office of
Procurement and
Property
Management

300 7th Street
Southwest
Room 302
Reporters Building

Washington, DC
20024-9300

TO: USDA Purchase Cardholders

FROM: John T. McCain
Departmental Program Manager
USDA Charge Card Service Center

A handwritten signature in black ink, appearing to read "John T. McCain", written over the printed name and title.

SUBJECT: USDA Transition to U.S. Bank for Charge Card Services

In just a few weeks, the U.S. Department of Agriculture (USDA) will receive new U.S. Bank® Purchase Cards in conjunction with USDA's migration to U.S. Bank's SmartPay® 2 program, and to its next generation electronic access system, U.S. Bank Access® Online.

U.S. Bank's Access® Online program will allow you to:

- Create your own user ID and password to access the system (Instructions will follow in future communications)
- View and dispute transactions online, immediately after they post to your account
- Approve your transactions whenever they appear in the system.

More information will be coming in future weeks regarding how to access the Access® Online web-based training module and what to expect when you receive your new cards.

Here is some information to keep you abreast of the transition and implementation prior to the November 30th migration date:

- Beginning the first week of October – USDA cardholders will begin receiving the new U.S. Bank Government Services Purchase Card. Upon receipt you should: Activate your new card/account by following the instructions in the attachment. These instructions can also be found in your U.S. Bank Cardholder Guide. This guide will accompany your new card. If you do not receive your card/account information by November 15th, please contact your LAPC. Contact those merchants that may have your old account on file for recurring purchases (e.g., subscriptions, FedEx, etc.) and provide them with the new account number.
- Training and certification – Training will be web-based and available for cardholders and approving officials during October/November 2008.

- Training must be completed by November 28, 2008. Training certificates will be generated for successful completion of training.
- November 30th – Begin using your new U.S. Bank Government Services Purchase Card
- Remember – although you may activate your new card number, you cannot begin to use it until November 30, 2008. Charges attempted prior to this date will be declined. Also, please be reminded that convenience checks cannot be issued after **September 1, 2008** unless it is an emergency and approved by the USDA Charge Card Service Center (CCSC). Local Agency Program Coordinators must send all requests to the Agency Program Coordinator who will forward the requests to CCSC at ccsc@usda.gov for approval. Enter “Request for Check Approval” in the subject line.

A website has been designed to keep you informed of USDA’s transition and implementation to US. Bank. The website address is www.usda.gov/procurement/ccsc.

If you have any questions, please submit them to the USDA Charge Card Service Center at ccsc@usda.gov.

Attachment:



United States
Department of
Agriculture

Office of the
Assistant Secretary
for Administration

Office of
Procurement and
Property
Management

300 7th Street
Southwest
Room 302
Reporters Building

Washington, DC
20024-9300

TO: USDA Approving Officials

FROM: John T. McCain
Departmental Program Manager
USDA Charge Card Service Center

SUBJECT: USDA Transition to U.S. Bank SmartPay®2 Program

In just a few weeks, the U.S. Department of Agriculture (USDA) cardholders will receive new U.S. Bank Purchase Cards in conjunction with USDA's migration to U.S. Bank's SmartPay®2 program, and to its next-generation electronic access system, U.S. Bank Access® Online. Under the new program your role as supervisor/manager is now being referred to as Approving Official (AO).

As a key management official, you are responsible for oversight and monitoring of designated cardholders' compliance with regulations and procedures. To enable you to perform in the role of AO, you will receive training consistent with the requirements of OMB Circular A-123 and the General Services Administration. U.S. Bank's Access® Online program will assist you in managing your cardholder account activity by allowing you immediate access to cardholder transaction information. More information will be coming in the future weeks regarding how to access the Access® Online web-based training module.

Following is information to keep you abreast of the transition and implementation:

- Beginning the first week of October – Cardholders will begin to receive their U.S. Bank Government Services Purchase Card. Please remember that they cannot use this card until on or after November 30th.
- Training and certification—Training will be web-based and will be available for cardholders and approving officials during October/November 2008. Training must be completed by November 28, 2008. Training certificates will be generated for successful completion of training.
- November 30th – Cardholders may begin using their new U.S. Bank Government Services Purchase Card, and you may access the Access Online live system with your AO user ID and password.

- A website has been created with key charge card program data. The website will provide contact information of program coordinators with links to key regulations and training. This website is www.usda.gov/procurement/ccsc;
- Bank system access is being offered to all cardholders. This will allow you to log into your account to view statements, check balances, dispute transactions and make electronic payments. Instructions on how to obtain system access will be included with your card;
- The bank system will send email alerts to cardholders to inform them of important issues related to the travel card program. All cardholders must register for bank system access and enter an email address in their profile in order to receive these alerts;
- Online training will be provided on how to use your travel card in compliance with Federal and USDA policies. This training will be available at any time, but USDA is mandating that all cardholders complete it annually. OCFO will inform your agency's Travel Policy User Group representatives when the training is available. Cardholders will be given at least 60 days to complete the training before enforcing the mandatory requirements;
- Online training on how to use the bank system is also available. This training will include both structured lessons and short user guides;
- Credit checks for all new accounts will continue with the U.S. Bank contract. However, USDA is implementing some changes to this process to assist cardholders:
 - When new cardholders activate their card, the bank's automated system will inform them if their card is restricted;
 - At the cardholder's request, U.S. Bank will reevaluate a cardholder's credit score annually to determine if they can be moved out of restricted status; and
 - USDA has redefined "restricted" under the U.S. Bank contract. The credit limit will no longer be severely restricted. This will allow cardholders to purchase the major transportation and lodging expenses required to perform their official duties. Instead, ATM access will not be available for restricted cards; and
- The Department has worked with U.S. Bank to implement procedures to allow employees who have had their card privileges revoked to be able to apply for reinstatement. USDA policy will be revised to allow reinstatement shortly after the transition to U.S. Bank. The details of this revised policy will be provided to your agency's Travel Policy User Group representatives when the policy changes are finalized.

If you have any questions, please contact your agency program coordinator. If they are unable to answer your questions or you do not know who your agency program coordinator is, contact Aaron Prose at (202) 720-1558 or aaron.prose@usda.gov.

cc: Chief Financial Officers Council
Travel Policy User Group